

The *Bulletin*, listing all bills passed by the legislature and either signed or vetoed by the Governor during the period January 7 to June 23, 1935, does not show that any of the above-mentioned bills were signed during said period; however, we anticipate their approval by His Excellency.

Trusting this is the information you seek, and if not that you will write us further, believe me

Very cordially yours,

CHARLES B. PINKHAM, M. D.,
Secretary-Treasurer, Board of
Medical Examiners.

July 2, 1935.

A. M. A. AND THE HEALTH INSURANCE PRINCIPLE

Below is printed the opening editorial of the July issue of the *Western Hospital Review*, official publication of the Association of Western Hospitals. The editorial was printed in a full-page, two-column display spread, and in line with other quoted articles printed on page 103 of the July issue of CALIFORNIA AND WESTERN MEDICINE, makes interesting reading:

Assembly Bill 246 Becomes a Law

On July 12 the Governor of California signed Assembly Bill 246, an enabling act to permit hospitals to organize and operate nonprofit hospital insurance associations under the jurisdiction and supervision of the Insurance Commissioner.

The proverbial snowball starting down the hillside and ending in an avalanche has its parallel in the rapid development of the idea of applying the principle of insurance to the payment of hospital bills.

To be sure, the idea is not new. Fraternal organizations and certain industries have operated health insurance plans for their members for many years. It is less than five years, however, since Baylor University Hospital in Dallas, Texas, reported to the American Hospital Association convention in Toronto that it was successfully operating a monthly payment hospital insurance plan for employed groups. At last report more than one hundred plans were in operation throughout the United States, and several state legislatures have enacted laws governing the operation of hospital service organizations.

The battlefield of the progressives and reactionaries in medicine is sagging a bit here and there, but in the main has not moved any appreciable distance in so far as any change in the manner of purchasing medical service is concerned. Even the doctor agrees, however, that there can be no valid objection to the patient purchasing hospital care on the budget plan if it interferes in no way with his relationship with the doctor.

California has been much in the limelight during the past months because of many radical proposals emanating from the State, and has been the cause of much caustic comment and barbed criticism from the eastern and mid-western sections of the country. Its State Medical Association shocked and grieved the parent organization, the American Medical Association, by proposing a plan to the legislature whereby the average man could budget for illness. Editorial writers and uninitiated laymen have rudely questioned the motive back of this bill, even going so far as to suggest that it was presented purposely to defeat the avowed intent of providing a plan of compulsory health insurance.

Why not be fair? The California Medical Association, by coming out into the open and accepting the challenge to do something, did more to clarify and expose the dangers of government control of all medical service than anything the American Medical Association has ever done with its "thou shalt nots." One may rest assured, moreover, that if and when any radical change is made in the manner in which medical care is purchased in California, the doctors of the State will have something to say about it.

A. B. 246—NONPROFIT HOSPITAL SERVICE BILL

CHAPTER 386

An act for the regulation and control of corporations organized for the purpose of operating nonprofit hospital service plans.

[Approved by the Governor July 5, A. D. 1935.]

The people of the State of California do enact as follows:

SECTION 1. This act shall govern any nonprofit corporation heretofore or hereafter organized under the laws of the State of California which by its original or by any amended articles is authorized to establish, maintain and operate a nonprofit hospital service plan whereby hospital care may be provided by said corporation to such of the public who become subscribers to said plan under a contract which entitles each subscriber to certain hospital care as provided in said contract, or whereby

said hospital care may be provided by any hospital or hospitals with which said nonprofit corporation has or shall have a contract to furnish such hospital care to said subscribers provided that no such corporation operating under the provision of this act shall enter into any such contact with any hospital wholly or partly supported by taxation, except where such a hospital is the only hospital in the county where it is located, or is a hospital maintained and operated by or in connection with a State college or university of the State of California in conjunction with and as a part of its educational and administrative program; and provided further that no corporation authorized by the provisions of this act to establish, maintain and operate a non-profit hospital service plan may itself furnish hospital care to its subscribers or do any of the acts herein authorized, unless and until it shall have first procured a certificate from the State Department of Public Health certifying that it is complying with the standards required by said State Department of Public Health, nor shall any such corporation enter into any contract with any hospital for the furnishing of hospital care to its subscribers unless the hospital with which it contracts has procured such a certificate from the State Department of Public Health.

SEC. 1a. "Hospital care" as used in this act may include any or all of the following services: maintenance and care in hospital, nursing care, drugs, medicines, physiotherapy, transportation, material appliances and their upkeep.

SEC. 2. This act shall not apply to nor govern any corporation operating a hospital service plan on a profit basis, or which, though operating such a plan on a non-profit basis, shall be organized for or shall conduct any business whatsoever on a profit basis, nor shall it apply to or govern any corporation formed and existing under the Constitution of 1849 pursuant to the act entitled "An act concerning corporations," passed April 22, 1850.

SEC. 3. Any nonprofit corporation organized to operate a nonprofit hospital service plan in the manner and in accordance with the provisions of this act shall be exempt from all other provisions of the insurance laws of this State, unless otherwise specifically designated herein, not only in governmental relations with the State but for every other purpose, and no law hereafter enacted shall apply to such a corporation unless it be expressly designated therein.

SEC. 4. At least two-thirds of the directors of such a corporation which shall furnish hospital care through contracts with hospitals as provided in Section 1 hereof shall be composed equally of duly appointed representatives of such hospitals and duly qualified and licensed practicing physicians holding a valid and unrevoked certificate to practice medicine and surgery or a physician and surgeon certificate, issued under the provisions of the State Medical Practice Act in the State of California. Such a corporation which shall itself furnish such hospital care shall choose its board of directors from such persons as it shall see fit.

SEC. 5. No corporation shall establish, maintain or operate a non-profit hospital service plan as authorized by the provisions of this act unless it shall have first procured the written consent of the Commissioner of Insurance of this State to such establishment, maintenance and operation.

SEC. 6. The rates charged by such corporation to the subscribers for hospital care shall at all times be subject to the approval of the Commissioner of Insurance of the State of California, and all rates of payments to hospitals made by such corporation pursuant to the contracts provided for in Section 1 of this act shall be approved prior to payment by said Commissioner of Insurance.

SEC. 7. Every such corporation shall annually on or before the first day of March file in the office of the Commissioner of Insurance of this State a statement verified by at least two of the principal officers of said corporation showing its condition on the thirty-first day of December then next preceding, which shall be in such form and shall contain such matters as the Commissioner of Insurance shall prescribe.

SEC. 8. The Commissioner of Insurance, or any deputy or examiner or any other person whom he shall appoint, shall have the power of visitation and examination into the affairs of any such corporation and free access to all the books, papers, and documents that relate to the business of the corporation, and may summon and qualify witnesses under oath and may examine the officers, agents or employees of such corporation or any other persons in relation to the affairs, transactions and condition of said corporation.

SEC. 9. All acquisition costs in connection with the solicitation of subscribers to such hospital service plan shall at all times be subject to the approval of the Commissioner of Insurance.

SEC. 10. The funds of any corporation subject to the provisions of this act shall be invested only in securities permitted by the law of this State for the investment of assets of life insurance companies and such securities shall be valued according to the methods used in valuing similar securities held by life insurance companies.

SEC. 11. Any dissolution or liquidation of a corporation subject to the provisions of this act shall be conducted under the supervision of the Commissioner of Insurance who shall have all powers with respect thereto granted to him under the provisions of law with respect to the dissolution and liquidation of insurance companies.